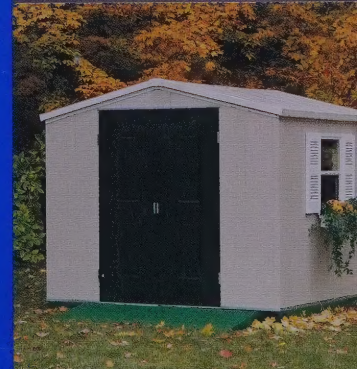
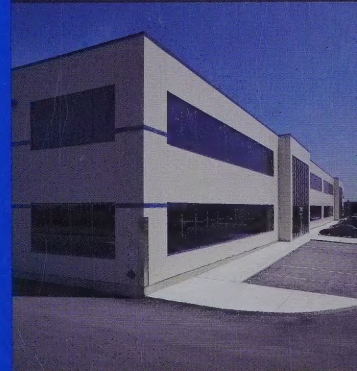


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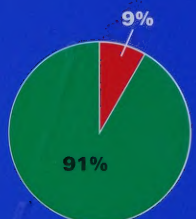


Royal Group
TECHNOLOGIES

Building for the Future

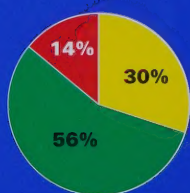


Company Profile



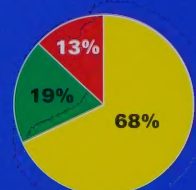
1998 Sales by Operating Group

● Building Products Group
● Building Technologies Group



1998 Sales by Geographic Region

● Canada
● US
● Other



1998 Assets by Geographic Region

● Canada
● US
● Other

- **Royal Group Technologies Limited** is a manufacturer and marketer of technologically advanced building products and building systems.
- **Royal Group** is North America's largest extruder of polyvinylchloride (PVC) building products.
- Royal operates 108 wholly owned or joint venture businesses located primarily in Canada and the U.S., with international locations in Mexico, Europe, South America and Asia. The businesses, which operate as individual profit centers, are organized into two operating groups.
- **The Building Products Group** produces and markets a diversified range of PVC products including custom profiles (predominantly window), window coverings, siding, pipe, fencing, decking and doors, primarily for the North American building products industry.
- **The Building Technologies Group** produces and markets a component-based building system which is used to construct a broad array of residential, commercial, institutional, industrial and agricultural structures.
- A high degree of vertical integration exists in the Royal Group, facilitating superior customer service, rapid product development and a low cost structure. PVC resin and chemical additives are manufactured and utilized to produce compounds utilized by the operating groups. Equipment is designed and manufactured internally, including computerized material handling systems. Transportation, research and development and plant construction services are also provided within the Group.

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Financial Highlights

Years ended September 30, 1998 and 1997

(in thousands of Canadian dollars except per share amounts)

	1998	1997	1996
Corporate Operating Results			
Net sales	\$ 1,050,103	\$ 848,741	\$ 675,092
Operating margin	260,904	210,868	167,076
Earnings from operations	186,993 ⁽⁵⁾	154,181	120,599
Net earnings	122,924 ⁽⁵⁾	97,499	75,705
Cash flow ⁽²⁾	196,819	153,232	118,741
Per Share Data			
Diluted earnings per share	\$ 1.46 ⁽⁵⁾	\$ 1.19	\$ 0.96
Basic earnings per share	\$ 1.46 ⁽⁵⁾	\$ 1.21	\$ 0.98
Basic cash flow ⁽²⁾ per share	\$ 2.34	\$ 1.90	\$ 1.53
Corporate Financial Position			
Working capital	199,545	228,933	164,907
Capital spending	365,168	270,585	184,038
Shareholders' equity	815,074	648,141	532,370
Invested capital ⁽³⁾	1,334,342	976,782	669,216
Total assets	1,551,652	1,168,194	844,670
Corporate Financial Ratios (%)			
Current ratio	178%	224%	224%
Funded debt ⁽⁴⁾ to invested capital	37%	30%	19%
Operating margin	25%	25%	25%
Return on sales	12% ⁽⁵⁾	11%	11%
Return on average shareholders' equity	17% ⁽⁵⁾	17%	17%

(1) 1994 pre IPO net earnings and operating margin adjusted on a pro-forma basis

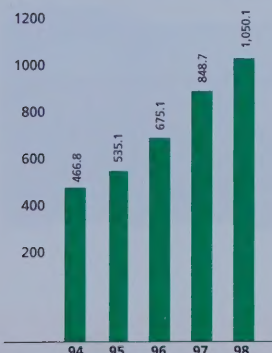
(2) Earnings before minority interest plus items not affecting cash

(3) Aggregate of shareholders' equity, minority interest, funded debt less cash

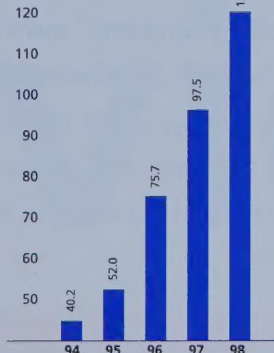
(4) For the purposes of the calculation funded debt is reduced by cash on hand

(5) Prior to \$2,900 (or \$0.03 per share) write down of non-core land in fiscal 1998

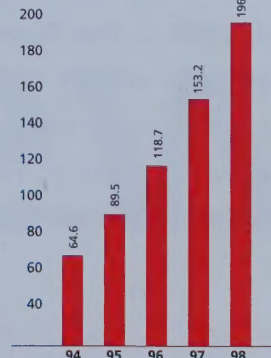
Net Sales
(in millions of dollars)



Net Earnings⁽¹⁾
(in millions of dollars)



Cash Flow⁽²⁾
(in millions of dollars)



November 3, 1997 — The Royal Building System™ receives key US building code approval.

Royal Group Technologies Limited (RYG: TSE, NYSE, ME) announced today that The Royal Building System™ has received approval from BOCA Evaluation Services Inc. (Building Officials and Code Administrators) in the USA. The approval allows builders in certain northeastern and north central states to construct various residential, commercial, industrial and institutional structures using The Royal Building System™. The approval follows extensive

scrutiny by BOCA, including fire resistance, wind resistance and structural durability testing. All BOCA standards for Type 5B construction were met or exceeded by Royal's System, which utilizes pre-engineered modular polymer panels incorporating concrete in the structural components of the structure. Similar approvals have now been received in over 25 countries around the world, including Japan, Canada, China,

December 3, 1997 — Royal Group announces intent to acquire home products company.

Royal Group Technologies Limited (RYG: TSE, NYSE, ME) announced today that it has signed a letter of intent to acquire a majority interest in Gracious Living Industries Inc., a marketer of patio furniture and houseware products. The deal is expected to close before January 31, 1998. Located in Concord, Ontario, Gracious Living is a growing North American marketer and manufacturer of injection molded patio furniture through retailers that include Canadian Tire, Wal-Mart and J.C. Penney. Gracious

Living has recently introduced their line of furniture in South America and also has launched a line of injection molded polypropylene indoor storage products in North America.

January 9, 1998 — The Royal Building System™ survives super typhoon which hits the island of Guam.

Royal Group Technologies Limited announced today that all of the homes constructed with The Royal Building System™ on the island of Guam survived typhoon Paka without structural damage, one of the worst storms to hit the



■ February 11, 1998 – Royal Group's first quarter operating margin and earnings increase

by 24% and 26% respectively over comparable quarter last year.

■ April 29, 1998 – Royal Group's second quarter sales and net earnings up

by 31% and 26%, respectively, over the same period last year.

island. News reports confirmed that Paka's wind speeds were sustained at over 160 mph, with gusts to 236 mph. Preliminary reports indicate that 5000 of the buildings on the island were damaged by the fierce storm. **March 31, 1998 — Another step with vertical integration.** Royal Group Technologies Limited (RYG: TSE, ME, NYSE) announced today that it has signed a letter of intent to acquire the assets utilized by Imperial Oil Limited to produce polyvinyl chloride (PVC) resin. Royal will rationalize production at the facility to efficiently produce a limited number of resin grades, which will be tailored to meet the specific needs of Royal's operations. PVC resin produced at the facility will be totally consumed by Royal, thereby simplifying the administration of the operation. This production capacity will satisfy a significant portion of Royal's growing resin requirements.

May 12, 1998 — Royal Group and Shell Chemical form joint venture. Royal Group Technologies Limited announced today that it has formed a joint venture with Shell Chemical Holdings Inc. (SCH) to develop the market for The Royal Building System™ in the oil, gas, and chemical industries. The joint venture company, named Royal Landmark Structures, L.L.C., will design, engineer, sell, distribute and supervise construction applications of the System, including car washes, convenience stores, service centers, research facilities and office buildings.

November 12, 1998 — The Royal Building System™ specified for use in large-scale school construction projects.

Royal Group Technologies Limited announced today that the municipality of the city of Ecatepec, Mexico has approved the purchase of components of The Royal Building System™ to enable construction of 414 classrooms and 66 adjoining washrooms.



In Review

■ July 28, 1998 – Royal Group's third quarter sales and operating

margin both up by 27% over the same period last year.

■ December 2, 1998 – Royal Group's fiscal 1998

earnings up by 26% as sales surpass \$1 billion.

Message from the Chairman

From right to left:
Vic De Zen,
Chairman,
President and
C.E.O. and Sergio
De Zen, Senior
Executive Vice
President, and
C.O.O.



During our 28th year in business, we continued to deliver record sales and earnings. Our ability to maintain industry leading growth rates can be attributed to the innovative new building products we have introduced, to broadening applications of The Royal Building System™, to penetration of new geographic markets and to the entrepreneurial spirit which our employees possess.

Sales and Earnings Reach New Highs

Since 1994, we have targeted annual sales growth rates of 20 to 25%, based on our commitment to introduction of new products and penetration of new markets. We have achieved our objective, with compound annual increases in sales averaging 23% over the last four years. Further, we have developed the Building Technologies Group into a significant contributor to our overall business.

During the fiscal year ended September 30, 1998, sales reached \$1.05 billion, exceeding 1997 sales by 24%. Sales increases were recorded in each segment of the Building Products Group, led by siding and blinds which were both up by 17%. The Building Technologies Group's sales advanced by an impressive 206% during the year to \$98 million or 9% of total sales. North America continued to be the main driver of our financial success, with sales in Canada and the USA accounting for 86% of overall sales. International sales rose to 14% of overall sales, from 7% in 1997, reflecting the successful international roll out of both The Royal Building System™ and core building products.

Net earnings for the year, excluding a \$2.9 million write down of land held for future use which is not required for core operations, were \$123 million, versus \$97.5 million in 1997, representing a 26% increase. EBITDA margins were maintained at 24.8% of sales, in spite of considerable investment in new product development and plant start-ups. Earnings per share, excluding the land write down of \$0.03 per share, were \$1.46 per share in fiscal 1998, up 21% from \$1.21 in 1997. The weighted average number of shares outstanding increased to 84,214,148, up from 80,837,502 in 1997, mainly as a result of exercises of options and the acquisition of the minority interest in Royal Ecoproducts Limited.

The Building Products Group

Our Building Products Group continued to outpace the vinyl building products industry in 1998. Royal's superior performance can be attributed to gaining share from products made from conventional materials, introducing new products and penetrating foreign markets.

Royal continues to lead the building products industry with many recent new product introductions, including:

- Cedar Solid™ siding, which has the charm of a wood grain finish in darker colors, such as Rustic Red, Hampton Blue and Chesapeake Green.
- SFT Eclectics™ window blinds, which are extruded from PVC, but have the look and feel of fabric.
- Korflo™ piping which is a light weight and strong alternative to conventional materials for sewer pipes.
- Royal Slate, a simulated slate roof tile made using Royal Ecoproducts' patented plastic recycling technology.

We have begun to leverage our distribution base, by offering distributors opportunities to market new products. This cross marketing program includes sales of fencing and decking to window profile fabricators, sales of roof tiles to siding distributors and fencing and decking sales to home improvement retail stores. Cross marketing represents an enormous opportunity, due to the expanse of our customer base and the ongoing broadening of our product lines.

During 1998, significant capacity was added throughout the Building Products Group to respond to increasing demand. Capacity expansions included a 137,000 square foot fencing and decking plant in Indiana, a 118,000 square foot custom profile plant in Ontario, a 122,000 square foot custom profile plant in Washington, a 109,000 square foot foam extrusion plant in Ontario and numerous additions to existing plants throughout the Group.

The Building Technologies Group

We are pleased with the significant sales growth of the Building Technologies Group in 1998. Moreover, we are pleased with the progress made positioning The Royal Building System™ for future growth in the residential, commercial, institutional, industrial and agricultural segments of the construction market, both in North America and abroad.

During 1998, capacity was well utilized at our plant in Canada, while recently constructed plants in Argentina, Colombia and Mexico began to scale up production. In China, we recently completed a new partnership agreement involving broader participation by local partners, which is facilitating a successful plant start-up. Production at our plant being constructed in Poland is scheduled to commence during the second quarter of fiscal 1999.

Many large-scale projects moved from the drawing boards to construction sites in 1998. Our recent success securing commitments for use of the System in large-scale school construction projects in Mexico, Argentina and the Philippines are testimony to the System's ability to satisfy the needs of growing populations. The large-scale residential subdivisions being built in the Philippines, Russia, and the Caribbean indicate the System is becoming a preferred construction technology in both developed and developing nations.

In mid-year, we entered into a joint venture with Shell Chemical Holdings Inc. to develop the market for the System in the oil, gas and chemical industries. The joint venture, named Royal Landmark Structures L.L.C., is off to a great start, having constructed numerous car washes, convenience stores, office buildings and utility buildings.

Royal Outdoor Products' maintenance-free, durable and easy to assemble storage sheds enjoyed explosive growth in 1998. During 1999, we will introduce a base system for storage sheds made from recycled plastic, an optional skylight kit and an exciting new line of storage sheds to be called Yard Mate™ which will enable our entry in the value segment of the shed marketplace. Home improvement retailers have expressed great enthusiasm toward these new outdoor storage solutions.

Our worldwide book of orders for The Royal Building System™, excluding storage sheds, is now over \$54 million. This order book, combined with numerous projects on the drawing boards and the mounting order flow being received regularly from distributors, leaves us confident that we are progressing toward the System contributing \$1 billion to total sales in the year 2002. This goal recognizes the enormous size of worldwide construction markets, where in North America alone it is estimated that over \$600 billion was spent on new construction in 1997.

Building For the Future

We continue to position Royal for future growth; increasing our competitive edge through additional vertical integration, developing new products, adding technology, increasing capacity and penetrating new markets.

We recently completed the acquisition of Imperial Oil's PVC resin manufacturing plant located in Sarnia, Ontario, which will supply a majority of the Group's current PVC resin requirements. The acquisition will ensure that we offer our growing customer base prompt delivery, allow us to introduce many new PVC based products and keep our edge in the marketplace. This acquisition is timely, as the PVC resin industry continues to consolidate.

Our Canadian PVC pellet compound operations have been moved to a new fully automated facility, which provided an immediate 50% increase in capacity. Concurrently, we have increased

compound production capacity at our plant in Texas by 50% and doubled our capacity to recycle PVC at our facility in Canada.

Our manufacturing operations now occupy 6.7 million square feet and net expansion will be 3.3 million square feet over the next three years to respond to growing demand for our products. This expansion includes the development of a 205-acre industrial park in Ontario. This project will allow us to expand our custom profile and siding businesses. It will also provide improvements in manufacturing and warehousing efficiency, as well as reductions in distribution costs.

In July, we acquired the remaining 26% of the issued and outstanding shares of Royal Ecoproducts Limited. This transaction allows us to accelerate the application of Ecoproducts' revolutionary recycling technology to various building products, by fully utilizing the resources of the Group. We have introduced a simulated slate roof tile using these technologies and intend to commercialize door-frames, door-frame inserts, shed bases and siding product lines in 1999.

In January 1998, we acquired Gracious Living Industries Inc., a marketer of patio furniture and household storage products. Gracious Living complements our line of outdoor products and increases Royal's presence in retail channels. The acquisition also enables the expansion of injection molding operations to a desirable critical mass.

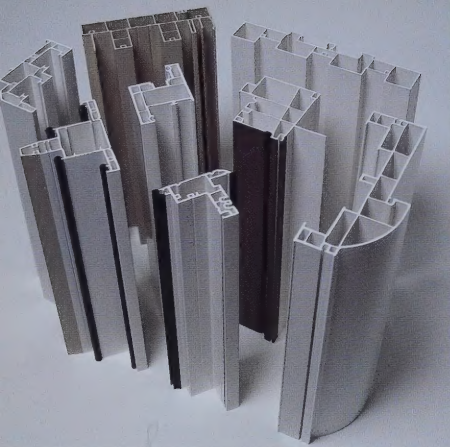
Over the last few months, there have been warnings of a potential slowdown in economic activity. We believe that we are well positioned to mitigate its impact, with the majority of our sales made into renovation markets which historically have been less sensitive to economic cycles. Our position is greatly enhanced by the large number of new products being introduced. Finally, our extensive vertical integration gives us an ability to continue to gain market share and control our costs.

We are very excited about Royal's future, given the new products we have introduced, the new markets we are penetrating, the technology we have developed and the edge our vertical integration provides us. With strong cash flows and a healthy balance sheet, we are capable of funding future expansion programs.

I would like to thank our customers for their support of our products and our employees for providing exceptional product quality, service and innovation. Together with our shareholders, we are building Royal for the future.



Vic De Zen, Chairman, President and C.E.O.
December 18, 1998



Custom Profiles



Fencing, Decking and Patio Furniture



Window Coverings

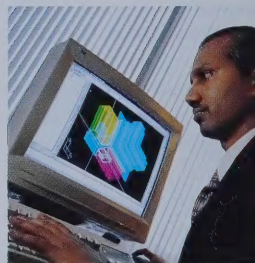
Building Products Group

The continuous broadening of Royal's product lines and market coverage provided strong sales gains in fiscal 1998 and creates a strong platform for continued growth.

The continuous broadening of Royal's product lines and market coverage provided strong sales gains in fiscal 1998 and creates a strong platform for future growth.

Custom Profiles

Royal's custom profile business incorporates extruded vinyl profiles used in window framing, fencing, decking, door framing, appliance, furniture and transportation industries. Today, the majority of sales are into the North American vinyl window profile market, where Royal commands the dominant market share.



Vinyl continues to displace higher maintenance conventional materials, both in renovation and new home construction segments of the window profile market. Royal continues to gain share from competitors, aided by extensive vertical integration, which permits window fabricators to access unique products quickly and inexpensively.

The vinyl fencing and decking market is estimated to be growing at a rate of 30% per year. Today, vinyl fencing and decking represents less than 3% of the estimated \$7.5 billion North American fence and deck marketplace, creating attractive growth potential as consumers are made aware of vinyl's advantages. Royal is well positioned in the market. Three manufacturing locations in North America provide excellent customer service, through distributor, dealer/installer and retail home improvement channels. Royal's extensive base of window fabricator customers provides an opportunity to quickly expand distribution.

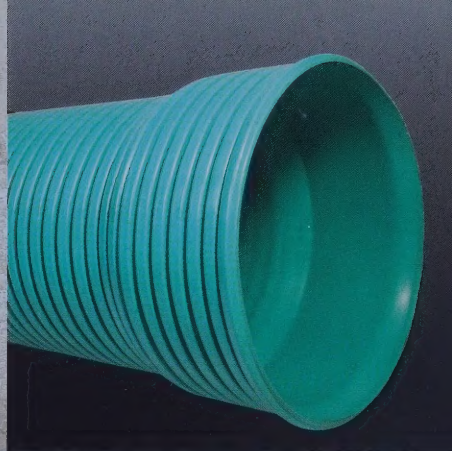
Sales of custom profiles in strategic foreign markets continue to scale up, aided by production start-ups at plants located abroad.



Siding



Doors



Pipe and Fittings

Window Coverings

Royal has evolved from being a North American supplier of PVC vertical blinds to being a global supplier of plastic window covering systems. The systems introduced by Royal include, high fashion two-inch wide Venetian style blinds which coordinate with vertical blinds, simulated wood horizontal blinds and roller-shades. These product introductions, coupled

with ongoing vertical blind product developments, such as the new SFT Eclectics™ series of blinds which look and feel like fabric, create a solid foundation for



future expansion. While Royal currently has over 50% of the North American market for PVC vertical blinds which is estimated at wholesale levels to be approximately \$335 million in size, Royal has a small fraction of the North American window coverings retail market which is estimated to be \$7 billion in size. The expanse of the window covering market presents opportunities for Royal's broadening product offering.

Further opportunities for growth exist in international markets, which require affordable, attractive methods of keeping out light and heat. Royal now markets its window covering products in over 30 countries around the world and has recently established a manufacturing presence in South America to respond to the strong reception to its products there.

Siding

The market for PVC siding continued to grow during 1998, as a result of increasing utilization of PVC siding in both the new home construction and remodeling marketplace.

Royal's unique higher end vinyl siding experienced robust growth in both market segments, providing Royal with a rate of growth significantly exceeding the overall market. These gains were fostered by new products, such as Cedar Solid™ which has the charm of a wood grain finish in darker colors such as Barn Red, Chesapeake Green and Hampton Blue.

New distribution has been added in high growth areas of North America, penetration of foreign markets continues to progress and a variety of new products, accessories and colors are being introduced. These initiatives provide multiple avenues for continued growth in the years ahead.

Pipe

Royal's pipe and fittings business is a leading North American supplier of pipe systems to the municipal, plumbing, electrical and industrial segments of the market.

During 1998, the recently acquired Plastic Trends fittings plant in Michigan was successfully integrated, taking advantage of the Group's compounding, recycling and transportation support segments. Construction of a new 240,000 square foot fittings plant in Michigan began, which will replace the existing plant of 50,000 square feet. In addition, a 60,000 square foot warehouse and fabrication facility for pipe fittings will be added in Ontario.

Royal Pipe recently introduced a new generation of light weight, contractor-friendly and cost-effective profile pipe, known as Korflo™. This unique pipe technology is being well received in the municipal pipe market segment.

Royal's broadening pipe and fittings product offering provides its customers with added value and creates opportunities for continued growth.





Office Building



Multi-Storey Condominium



Convenience Store

Building Technologies Group



We are pleased with the progress we have made positioning the System for future expansion in North America and abroad, in residential, commercial, industrial, institutional and agricultural segments of the market.

The Royal Building System™ is a revolutionary construction technology that involves use of modular polymer panels, which incorporate concrete in the structural components of the System. This patented System, which was first introduced in 1991 and commercialized in 1996, has been used with increasing frequency around the world in residential, commercial, industrial, institutional and agricultural markets. The advantages of the System include its durability, ease of construction, environmental friendliness, minimal maintenance requirements and affordability.

During 1998, many applications of the System developed in previous years were produced for large-scale orders. In addition, many new applications were developed including agricultural barns, rental storage facilities, retail stores and mausoleums.

The Ontario Building Evaluation Commission recently provided approval to use The Royal Building System™ in large-scale single-story buildings, which require construction using non-combustible materials. This approval will allow the System to be used to construct stores, warehouse outlets, supermarkets and various other commercial and industrial buildings in Ontario. The Ontario code is widely recognized as strict, which





Mexican School Houses



Basement Foundation System



Agricultural Building

makes this approval an important stepping stone to similar approvals throughout North America.

In mid year, Royal announced that a joint venture had been established with Shell Chemical Holdings Inc. to develop the market for The Royal Building System™ in the oil, gas and chemical industries. The joint venture company, named Royal Landmark Structures L.L.C., will design, engineer, sell, distribute and supervise construction applications of the System, including car washes, convenience stores, service centers, research facilities and office buildings. During 1998, Shell erected a number of car washes, convenience stores and two office buildings. Marketing to other companies within the industry commenced and projects with a series of potential customers are now on the drawing boards.

The acceptance of the System in large-scale residential applications is beginning to occur in the enormous North American marketplace. Builders in Illinois, Kentucky, Ohio, Michigan, Ontario and Saskatchewan have designed subdivisions which utilize the System and have recently erected model homes. The development of the North American market for the System in basement applications continues to progress. Homeowners



and builders are now beginning to utilize the System to provide finished, water-tight and insulated foundation walls.

Hurricane George ravaged the Caribbean in the fall of 1998, causing widespread damage to a number of conventionally built structures on the islands. Damage to the hundreds of structures which have been erected using the System in the region was limited to minor cosmetic damage. In the wake of the storm, many

orders for replacement of structures by homeowners, governments and insurance companies were received, with still many more projects progressing through the developmental stages.

Royal Outdoor Products' storage sheds had explosive growth during 1998. During the calendar year, approximately 60,000 storage sheds were sold, up from 25,000 the year before. Next year, a larger 10-foot by 15-foot shed will be introduced in response to strong demand for larger storage solutions. A new shed base made from Ecoproducts' recycled plastic technology will be introduced, as will a skylight shed accessory kit.

Next Spring, a smaller value oriented line of storage sheds will be introduced. This new line, named Yard Mate™, will compete in the value segment of the market. The new shed will have just 18 pieces and can be assembled in less than one hour. It will be more durable and easy to assemble than traditional metal sheds, but will be sold at a competitive price. We anticipate that the new shed will be strongly received in the marketplace based on retailers' enthusiastic reception to the product. We are building a new plant for this shed which will be scaled up during the later half of fiscal 1999.



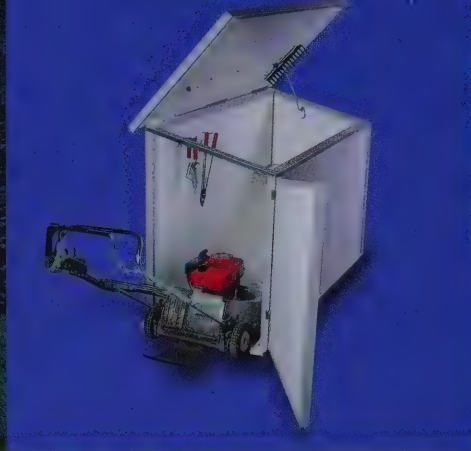
During 1998, a line of garage kits made from components of the Royal Building System™ was introduced, named the Royal Titan Garage™. In response to requests to make the product easier to assemble for do-it-yourself customers, the garage was reengineered to allow erection without concrete being poured in the wall sections. Now a homeowner can assemble a single car garage in just one day, using conventional hand tools. Single and double car versions of The Royal Titan Garage™ are now being successfully introduced into the North American market which is estimated to be \$1 billion in size.

2160 unit Philippine subdivision under construction





Yard Mate™ Storage Solutions



Yard Mate™ Storage Solutions



Gracious Living Closet Organizers

Innovation and the Environment



At Royal, we have a continued focus on innovative products that enhance the lifestyle of our customers, while increasing recycling programs to positively impact the environment.

Since Royal's inception in 1970, there has been a single focus on building a better way of life for customers, driven by Vic De Zen, Royal's founder and Chairman.

Today, backyards throughout North America are sprouting Royal's maintenance-free storage sheds, fencing and decking, garden furniture and garages. Inside the home, homeowners are enjoying maintenance-free window coverings, storage containers, windows and solariums. Royal's name is quickly becoming known

in retail home improvement channels for the contribution it is making to family lives, giving parents time to play with their children instead of maintaining their homes.



Farmers, school administrators, medical authorities and government housing officials are increasingly taking notice of The Royal Building System™'s unparalleled durability, ease of construction and simplicity of maintenance. Insurance companies perplexed by



encing and Decking



Royal Titan Garage™



Royal Ecoproducts' Roof Tiles

the increasing frequency of wind storms throughout the world, have walked through the debris littered aftermath of storms only to find structures built with the System standing, creating a better way of life for their inhabitants.

Many of these innovations are based on the use of polyvinyl chloride (PVC or Vinyl), which is the same material used in medical applications such as blood bags or intravenous lines. The material is formed by the union of salt and natural gas, which creates a stable, recyclable material. Royal's proprietary PVC formulations have many advantages over conventional materials, including a longer life cycle and the fact that they leave trees in the forest where they belong.

Today, many of Royal's products are made from recycled PVC, keeping waste out of landfill sites and in service in building products which create a better lifestyle. We are increasingly involved in reprocessing our customers' vinyl waste.

Over the last two years, Royal has extended its recycling efforts, developing Royal Ecoproducts' technology, which uses an array of waste plastic with high levels of waste fillers such as saw dust, tire grindings and diaper trimmings. These materials, which would otherwise be committed to landfill sites, are produced into durable, affordable building products by Royal, including roof tiles and door frames.

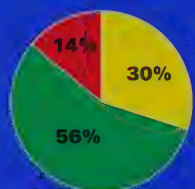


We Recycle

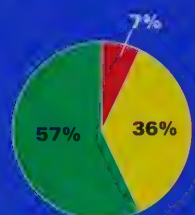


Management's Discussion and Analysis

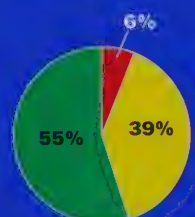
Sales by Geographic Region (percentage)



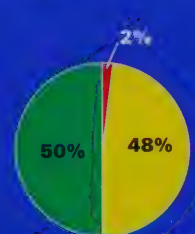
1998



1997



1996



1995

Canada
U.S.
Other

Royal is substantially engaged in the extrusion of PVC building products and building systems for sale in the North American renovation/remodeling and new construction industries, and more recently in international markets. Royal is an innovative, technology based growth company and a low cost producer in its industry.

Results from Operations

The following discussion has been prepared by management and is a review of the Company's operating results and financial position for the years ended September 1998, 1997 and 1996 and based upon accounting principles generally accepted in Canada. All amounts are in Canadian dollars unless specified otherwise.

This discussion and analysis of the Company's operations have been derived from and should be read in conjunction with the Consolidated Financial Statements and accompanying notes thereto appearing elsewhere in this Annual Report.

The following table discloses the Company's Statements of Earnings (in thousands of Canadian dollars, except per share) for the years ended September 30, 1998, 1997, and 1996.

	1998	1997	1996
Net Sales	\$ 1,050,103	\$ 848,741	\$ 675,092
Cost of sales and operating expenses	(789,199)	(637,873)	(508,016)
Operating margin	260,904	210,868	167,076
Operating margin percentage	24.8%	24.8%	24.7%
Amortization	(56,294)	(47,532)	(38,286)
Interest and financing charges	(17,617)	(9,155)	(8,191)
Land write down	(2,900)	—	—
Earnings from operations	184,093	154,181	120,599
Income taxes	(64,424)	(54,417)	(43,500)
Earnings before minority interest	119,669	99,764	77,099
Minority interest	355	(2,265)	(1,394)
Net Earnings	120,024	97,499	75,705
Basic Earnings per share	\$1.43	\$1.21	\$0.98
Basic Earnings per share prior to land write down	\$1.46	\$1.21	\$0.98
Weighted average number of outstanding shares	84,214,148	80,837,502	77,597,058

Currently the Company operates substantially in the North American construction industry, which is seasonal. Accordingly, approximately three-fifths of Royal's net sales and operating margin and three quarters of its net earnings occur in its last two quarters. As such, sales, operating margins and net earnings as a percentage of sales have historically been significantly different in the earlier quarters, or on a by-quarter basis, as compared to an annualized amount or rate.

Year ended September 30, 1998 as compared to the year ended September 30, 1997

Net sales for the year ended September 30, 1998 increased \$201.4 million or 24% to a record \$1.05 billion, up from \$848.7 million in 1997.

Growth was led by the Building Technologies Group with a year over year increase of 206% or \$66 million due to strong demand of the storage shed and increasing demand for residential and commercial/industrial applications, while double digit growth, due to unit volume increases, was recorded in each of the custom profile, window coverings, siding and pipe & other divisions. Selling unit prices were relatively stable during the period, excluding the pipe division, which experienced lower average selling prices per pound. Acquisitions completed in various divisions during the fiscal year accounted for approximately \$36.4 million of the consolidated growth.

Geographic diversification continued with non-Canadian customers, including foreign based sales and exports from Canadian operations growing to 70% of total sales from 64% for the same period in 1997. This increase was primarily due to the Mexico & other segments growing to 14% of total sales from 7% last year, due to the increase in Building Technology Group sales. On a dollar basis, Royal's Mexico & other segments increased \$45 million or 111%, as penetration into non-North American markets continued. This increase is consistent with the Company's plans to reduce the effects of the seasonality of the construction industry on Royal's results through geographic and product diversification.

Overall a sales growth rate consistent with past trends is expected in fiscal 1999, emanating from continued growth in demand for both the Building Products Group and the Building Technologies Group, including the introduction of new products and applications.

Operating margin (EBITDA)

Operation margin (or EBITDA) for the year ended September 30, 1998 increased by \$50 million or 24% to \$261 million, compared to \$211 million last year. EBITDA as a percentage of sales remained unchanged at 24.8%. The increase was primarily due to higher unit volumes sold in all of the operating divisions. Raw material costs as a percentage of sales decreased to 41.9% from 42.4% last year due to lower costs during the year. Labor costs as a percentage of sales increased slightly to 13.3% from 13.1%. This increase was primarily due to start-up situations in foreign joint ventures. Higher unit volumes sold during the year reduced the overhead costs on a per unit basis in the Building Products Group and were offset against start-up operations in the Building Technologies Group, producing an overhead cost, as a percentage of sales of 8.4%, which is unchanged from 1997. For the same reason selling, general and administration cost as a percentage of sales increased slightly by 0.1% to 16.9% from 16.8% last year.

For fiscal 1999 management believes EBITDA as a percentage of sales should remain relatively stable and consistent with 1998.

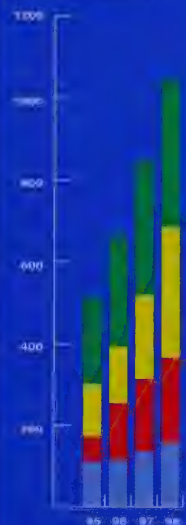
Amortization

Amortization expense as a percentage of sales was 5.4% which is slightly lower than the 5.6% experienced last year. This expense increased by \$8.8 million from \$47.5 million last year, due to added capacities in most of our operating divisions.

Interest and financing charges

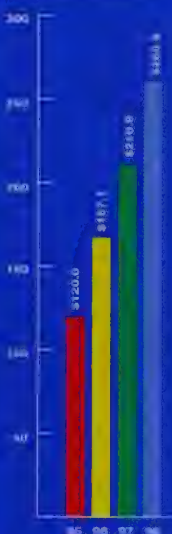
Interest and financing charges increased as a percentage of sales, to 1.7% from 1.1% last year. Interest expense increased by \$8.5 million from \$9.1 million due to higher level of loan utilization for capital spending purposes. Royal Group's current capital expenditure program has been financed with a combination of cash flow from operations, funds received from the exercise of stock options, and debt proceeds.

Sales by Product
(in millions of dollars)



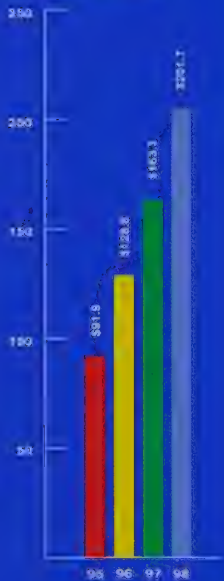
Custom Profiles: '95/\$111, '96/\$117, '97/\$137, '98/\$137
 Pipe & Other: '95/\$128, '96/\$138, '97/\$138, '98/\$206
 Blinds: '95/\$62, '96/\$62, '97/\$175, '98/\$206
 Siding: '95/\$111, '96/\$111, '97/\$117, '98/\$111

Operating Margin (EBITDA)
(in millions of dollars)

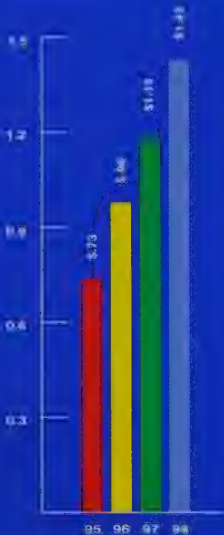


Management's Discussion and Analysis

EBIT
(in millions of dollars)



Diluted Earnings per share
(in dollars)



Write down of land held for future use

During fiscal 1998, the Company wrote down a non-core asset property by \$2.9 million. This non-cash write down reduced basic and fully diluted earnings per share by \$0.03.

Income tax expense

In fiscal 1998, income tax expense as a percentage of earnings before income taxes decreased to 35.0% from 35.3% due to the recognition of research and development tax credits.

Minority interest

Minority interest expense for fiscal 1998 decreased over fiscal 1997 primarily as a result of the elimination of the minority interest in the Group's chemical processing facility.

Net earnings and earnings per share

Net earnings in 1998, excluding the \$2.9 million non-cash land write down, increased by \$25.5 million or 26% to a record \$123 million or 11.7% of sales from \$97.5 million or 11.5% of net sales for the previous year. Including the non-cash land write down, net earnings increased 23% over 1997.

On a fully diluted basis, earnings per share for fiscal 1998 was \$1.43, and excluding the non-cash land write down, net of income taxes fiscal 1998 fully diluted earnings per share was \$1.46 per share. This is an improvement over the fiscal 1997 fully diluted earnings per share of \$1.19. The average number of shares outstanding for fiscal 1998 on a fully diluted basis was approximately 93.9 million or approximately \$3.6 million higher than in fiscal 1997 primarily as a result of the issuance of shares under the stock option plan.

Year ended September 30, 1997 as compared to the year ended September 30, 1996

Net sales in 1997 increased 26% or \$173.6 million over 1996 to \$848.7 million. Double-digit growth was recorded in each of the custom profile, vertical blind, siding and pipe & other divisions. Growth of 50% experienced in the pipe & other division reflects growth of the Building Technologies Group (which commenced commercial production in fiscal 1996) and recent acquisitions. The overall sales increase was primarily due to unit volume increases in all operating divisions and despite the effect of competitive pricing pressure experienced in some divisions.

Sales by geographic region reflect the United States segment increasing to 57% of total sales from 55% in 1996 and Other segments increasing to 7% from 6% in 1996. Growth was strong across all of Royal's major geographic markets with 16% growth in the Canadian market, 29% growth in the United States market and 55% increase in the other segments.

Operating margin increased slightly in 1997 to 24.8% of sales compared to 24.7% from 1996. The increase was due to raw material costs as a percentage of sales decreased to 42.4% from 42.6% in 1996. Royal's high level of vertical integration permits the sharing of fixed overhead costs over an increasingly diversified product base. Royal has improved margins with improved production efficiencies, including increased throughput in production, increased material efficiencies and improved fixed cost absorption due to higher unit volumes. Labor costs as a percentage of sales increased to 13.1% from 12.2% due to higher level of labor utilization and training costs to build inventories for the increased unit demand. Higher unit volumes sold during the year reduced the overhead cost on a per unit basis thereby reducing overhead costs as a percentage of sales to 8.4% from 9.1% in 1996. Similarly, the higher unit volumes had a positive effect on selling, general and administration cost as a percentage of sales which decreased 0.3% from 1996.

Amortization expense as a percentage of sales was 5.6%, which is slightly lower than the 5.7% in 1996. This expense increased by \$9.2 million from \$38.3 million for the same period last year, due to added capacities (most notably in the custom profile, blinds, housing and support divisions) and amortization of purchased goodwill, which accounted for 41% of the dollar increase.

Interest and financing charges declined as a percentage of sales to 1.1% in 1997 from 1.2% in 1996. Interest expense increased by \$1.0 million from \$8.2 million due to higher level of loan utilization for the group's capital spending program.

Net earnings in 1997 increased by \$21.8 million or 29% to a record \$97.5 million or 11.5% of sales from \$75.7 million or 11.2% for 1996.

Fully diluted earnings per share for the year ended September 30, 1997 was \$1.19 which represented a 24% increase over the \$0.96 reported for 1996, despite an increase in the weighted average number of shares of approximately 3.1 million to 90.3 million, from 87.2 million in 1996.

Liquidity and Capital Resources

Cash flow

In fiscal 1998, the Company generated cash flow of \$196.8 million or \$2.34 per share, an improvement of \$43.6 million or 28.0% over \$153.2 or \$1.90 per share generated in the prior year. During the three years ended September 30, 1998, the Group's cash flow aggregated \$468.8 million, representing an average annual cash flow of \$156.2 million. For 1999, management believes that the Group will continue to generate improved cash flow, and cash flow will continue to be used as a primary source of funds for investing activities.

Working capital

A summary of Royal's working capital position at September 30, 1998 and 1997 is set out below:

	1998	1997
Working capital	199.5	228.9
Current ratio	1.78:1	2.52:1

Working capital was \$199.5 million at September 30, 1998 compared to \$229 million at September 30, 1997. For fiscal 1998, management had drawn approximately \$100 million on the short-term portion of its bank credit facilities to fund the group's capital spending program, in order to take advantage of lower rates on short-term debt.

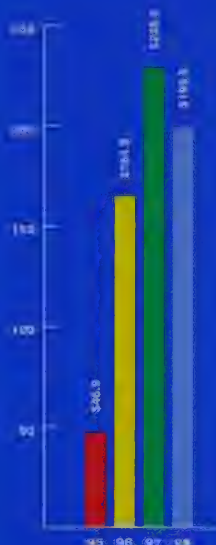
Management continues to focus efforts on reducing levels of receivable and inventories. A 1% increase in days receivable was experienced in 1998 while a 13% increase in days inventories occurred. Higher level of inventories were required in some divisions to support the higher level sales activity and the introduction of new product lines.

Capital Spending

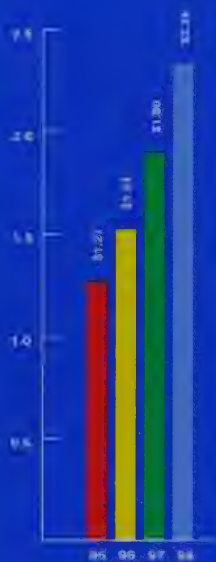
Capital spending including acquisitions, for the years ended September 30, 1998 and 1997 is summarized below:

	1998	1997
Capital expenditures	301.9	215.6
Acquisitions	63.3	54.9
Total	365.2	270.5

Working Capital
(in millions of dollars)

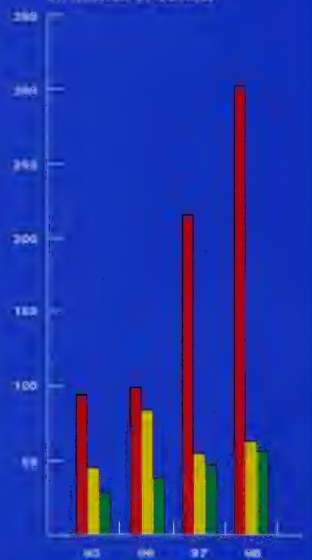


Cash Flow Per Share
(in dollars)



Management's Discussion and Analysis

Capital Spending & Amortization
(in millions of dollars)



For the year ended September 30, 1998, capital expenditures amounted to \$301.9 million compared to \$215.6 million for the same period last year. Reflecting principally higher fixed asset spending to support increased production activities and the construction of new production facilities. Approximately \$125 million was expended on expansion or construction of manufacturing facilities for added capacity. Machinery and equipment expenditures were split approximately \$77 million for the Building Products Group and \$33 million for the Building Technologies Group. The remaining expenditures occurred primarily in the support services.

During 1998 the Company acquired the remaining interest in both the Group's chemical processing facility and in Royal Ecoproducts Limited. The aggregate consideration was approximately \$40 million consisting of cash and shares and generated goodwill of approximately \$27 million.

For fiscal 1999, excluding acquisitions, the Company anticipates an investment in capital assets in the range of \$200 million to \$250 million primarily for increased capacities in the Building Products Group and for continued development of the Building Technologies Group in foreign markets. Over the next three years, the company will develop a 205 acre industrial complex in Woodbridge, Ontario, which will generate manufacturing and warehousing efficiencies as well as improvements in distribution costs. It will also provide the manufacturing and warehousing capacity required for expected growth. In addition the Company has entered into an agreement to purchase a PVC facility for approximately \$64 million in cash subject to adjustment for working capital. The acquisition closed December 15, 1998 and was funded with current credit facilities.

Royal Group is actively exploring several additional business opportunities in order to strengthen and enhance future growth prospects and to expand existing operating segments. It is anticipated that such acquisitions or start-ups would be financed from cash flow generated from operations, working capital and, existing bank credit facilities.

Long term debt and financial instruments

On November 13, 1997, Royal Group issued U.S.\$165 million of 5 and 10 year notes bearing interest rates of 6.84% and 7.10% respectively. The proceeds were used to repay all borrowings under Royal Group's \$400 million revolving credit facilities with the balance placed in short term money market deposits used for its capital spending program. As at September 30, 1998, the Company had available approximately \$300 million of unutilized bank credit facilities and its funded debt to total capitalization was 37%.

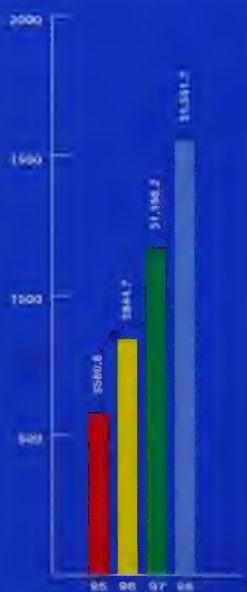
Management believes that Royal's anticipated cash flow and available credit under its working capital and term financing arrangements will be sufficient to meet its working capital, capital expenditure program including potential business acquisitions currently being explored, as well as debt service requirements, including the seasonal natures thereof.

Risks and Uncertainties

Year 2000 compliance

In 1998, the Company initiated an enterprise-wide program to address the business and computer systems concerns presented by the year 2000 issue. Through a combination of internally staffed projects in each division unit, third party consultants and strategic systems upgrades and replacement, the Company's goal is to have all systems essential to its operations year 2000 compliant by September 1999. Costs incurred to date on year 2000 compliance have been immaterial and are expensed as incurred, the Group expects to expend approximately \$1 million next year. A significant proportion of these costs are not likely to be incremental cost to the Company, but rather will represent the redeployment of existing information technology resources.

Total Assets
(in millions of dollars)



Although the Company is currently satisfied that our state-of-the-art extrusion production equipment is currently year 2000 compliant, there can be no guarantee that the systems of other companies on which the Company's operations ultimately rely will be converted in a timely manner, or that a failure to convert by another company would not have a material adverse effect on the Company.

Other risks

Royal's future performance could be affected by the following important factors, among others, which in some cases have affected, and which in the future could affect, Royal's actual results and could cause Royal's actual results for 1999 and beyond to differ materially from those expressed in any forward-looking statements made by or on behalf of Royal.

Royal's business is substantially related to the North American construction, both residential and industrial/commercial. Therefore, the market demand for the products manufactured and distributed the Royal is affected by changes in the general state of the North American economy, including renovation and remodeling, new housing starts and the level of construction activity in, general. Royal distributes its products primarily to the renovation and remodeling market, which has traditionally experienced more moderate fluctuations than the new construction market. However, there is no guarantee that this market will, in the future, continue to respond in such manner. Management seeks to manage this risk by geographical and product line diversification.

The price and availability of raw materials, and in particular PVC resin, represents a substantial portion of the cost of manufacturing Royal's products. Historically, there have been fluctuations in these raw materials prices and in some instances price movements have been volatile and affected by circumstances beyond Royal's control. Generally, Royal has been able to pass on increases from normal market fluctuations in the price of PVC resin to its customers through increases in selling price, or otherwise absorb such costs increases without significantly affecting its margins. However, there can be no assurance that the market will, in the future, respond favorably to such selling price increase or that the Company will be able to otherwise absorb such cost increase without significantly affecting its margins. In addition, the industry has occasionally found certain raw materials to be in short supply. With the purchase of the PVC resin plant to close December 15, 1998, the Company should reduce to some extent this risk.

Much of Royal's proprietary technology constitutes "know-how" (for example, certain formulations or compounds) which cannot be the subject of intellectual property protection. Although Royal has taken steps to protect its proprietary technology, there can be no assurance that Royal's proprietary technology will not be misappropriated or developed independently by competitors or customers of Royal.

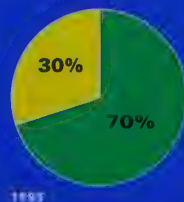
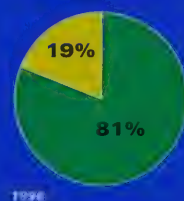
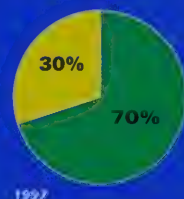
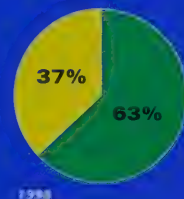
The Group is subject to a wide range of general and industry specific environmental laws and regulations, particularly relating to air emissions and waste water discharge. Although the Company maintains all facilities in material compliance with regulatory standards, there can be no assurance that changes in environmental laws and regulations, or their application, will not require further expenditures by the Company.

As the Company continues to expand the scope of its activities in foreign markets, it becomes exposed to a greater risk of foreign exchange fluctuations. The Company attempts to minimize risks associated with currency fluctuations through matching the currency of debt financing and the currency of certain raw material purchases to the currency of sales or asset acquisitions. While the Group has not entered into market instruments with respect to foreign exchange hedging in the past, it may, if deemed necessary, do so in a prudent fashion, in the future. Furthermore, the Company does not purchase derivative instruments beyond those needed to hedge foreign currency requirements.

Outlook for 1999

Looking toward 1999, the Company anticipates strong sales and net earnings growth rates consistent with prior year through increased volumes in both the Building Products Group and the Building Technologies Group, contributions from new products, new markets and business development activities.

Funded Debt to Capital



■ Capital
■ Funded Debt

Consolidated Financial Statements of Royal Group Technologies Limited

Years ended September 30, 1998 and 1997

Management's Report to the Shareholders

Preparation of the consolidated financial statements accompanying this annual report and the presentation of all other information in this report is the responsibility of management. The financial statements have been prepared in accordance with appropriate and generally accepted accounting principles and reflect management's best estimates and judgements. All other financial information in the report is consistent with that contained in the financial statements. The Company maintains appropriate systems of internal control, policies and procedures which provide management with reasonable assurance that assets are safeguarded and that financial records are reliable and form a proper basis for preparation of financial statements.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee which is composed of a majority of non-executive directors. The Audit Committee reviewed the consolidated financial statements with management and external auditors and recommended their approval by the Board of Directors.

The consolidated financial statements have been audited by KPMG LLP, Chartered Accountants. Their report stating the scope of their audit and their opinion on the consolidated financial statements is presented below.



Vic De Zen
Chairman, President
and Chief Executive Officer



Gary Brown
Executive Vice President
and Chief Financial Officer

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Royal Group Technologies Limited as at September 30, 1998 and 1997 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 1998 and 1997 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.



Chartered Accountants
Toronto, Canada
November 25, 1998

Consolidated Balance Sheets

September 30, 1998 and 1997
(in thousands of Canadian dollars)

	1998	1997
Assets		
<i>Current assets:</i>		
Cash	\$ —	\$ 5,561
Accounts receivable (note 4)	224,284	176,087
Inventories (note 5)	223,125	192,295
Prepaid expenses and deposits	7,866	5,575
	455,275	379,518
Property, plant and equipment (note 6)	859,810	605,274
Goodwill and other assets (note 7)	236,567	183,402
	\$1,551,652	\$1,168,194
Liabilities and Shareholders' Equity		
<i>Current liabilities:</i>		
Bank indebtedness (note 9)	\$ 94,924	\$ —
Accounts payable and accrued liabilities (note 8)	160,319	149,679
Term debt due within one year (note 9)	487	906
	255,730	150,585
Term debt (note 9)	394,790	299,777
Deferred income taxes	56,991	36,172
Minority interest	29,067	33,519
<i>Shareholders' equity:</i>		
Capital stock (note 10)	438,704	393,619
Retained earnings	377,925	257,901
Currency translation adjustments	(1,555)	(3,379)
	815,074	648,141
	\$1,551,652	\$1,168,194

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director

Director

Consolidated Statements of Earnings

September 30, 1998 and 1997

(in thousands of Canadian dollars, except per share)

	1998	1997
Net sales	\$1,050,103	\$ 848,741
Cost of sales and operating expenses	(789,199)	(637,873)
Operating margin	260,904	210,868
Amortization charges (note 12)	(56,294)	(47,532)
Interest and financing charges (note 13)	(17,617)	(9,155)
Write down of land held for future use	(2,900)	—
Earnings before income taxes and minority interest	184,093	154,181
Income taxes (note 14)	(64,424)	(54,417)
Earnings before minority interest	119,669	99,764
Minority interest	355	(2,265)
Net earnings	\$ 120,024	\$ 97,499
Basic earnings per share (note 11)	\$ 1.43	\$ 1.21

Consolidated Statements of Retained Earnings

September 30, 1998 and 1997

(in thousands of Canadian dollars)

	1998	1997
Retained earnings, beginning of year	\$ 257,901	\$ 163,842
Net earnings	120,024	97,499
Purchase of stock options for cancellation, net of tax	—	(3,440)
Retained earnings, end of year	\$ 377,925	\$ 257,901

Consolidated Statements of Changes in Financial Position

September 30, 1998 and 1997

(in thousands of Canadian dollars, except per share)

	1998	1997
Cash provided from (used in):		
Operating activities:		
Earnings before minority interest	\$ 119,669	\$ 99,764
Add back items not affecting cash (note 16)	77,150	53,468
Changes in non-cash working capital balances (note 17)	(51,859)	(62,092)
	144,960	91,140
Investing activities:		
Acquisitions of property, plant and equipment	(301,888)	(215,627)
Acquisition of other businesses	(63,280)	(54,958)
(Increase) decrease in investments	(15,993)	803
Increase in other assets	(9,385)	(11,004)
	(390,546)	(280,786)
Financing activities:		
Term debt proceeds	240,470	155,225
Term debt repayments	(153,744)	(9,944)
Net investments by minority interest	—	15,694
Issuance of shares on acquisitions	20,940	996
Issuance of shares under stock option plan	24,145	19,874
Purchase of stock options for cancellation	—	(5,375)
	131,811	176,470
Effect of exchange rate changes	13,290	843
Decrease in cash	(100,485)	(12,333)
Cash, beginning of year	5,561	17,894
Cash (bank indebtedness), end of year	\$ (94,924)	\$ 5,561
Cash flow (being earnings before minority interest plus items not affecting cash)	\$ 196,819	\$ 153,232
Basic cash flow per share	\$ 2.34	\$ 1.90

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

September 30, 1998 and 1997
(in thousands of Canadian dollars)

1. Significant accounting policies:

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, the more significant of which are outlined below. A reconciliation to accounting principles generally accepted in the United States is shown in note 19.

(a) Principles of consolidation:

These consolidated financial statements include the accounts of Royal Group Technologies Limited, its subsidiaries and its proportionate share of the accounts of its joint ventures. Investments in joint ventures have been proportionately consolidated based on the Company's ownership interest. All significant intercompany profits, transactions, and balances have been eliminated on consolidation.

(b) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses for the period. Actual results could differ from those estimates.

(c) Inventories:

Inventories are stated at the lower of cost, determined using the first-in, first-out (FIFO) basis, and replacement cost for raw materials and net realizable value for finished goods.

(d) Property, plant and equipment:

Property, plant and equipment is stated at cost less accumulated amortization. Interest expense relating to major capital expenditures is capitalized when significant interest costs will be incurred before the capital facility commences production. Amortization is provided on a straight-line basis over the estimated useful lives of the assets using the following rates:

Buildings	20 to 40 years
Plant equipment	10 to 15 years
Dies and moulds	4 to 10 years
Office and computer equipment	3 to 10 years
Aircraft and transport equipment	5 to 20 years

(e) Goodwill and other assets:

Goodwill is amortized on a straight-line basis over forty years. Goodwill is regularly evaluated by reviewing the returns of the related business, taking into account the risk associated with the investment. Any permanent impairment of goodwill would be written off against earnings.

Other assets, primarily being deferred development costs, are amortized on a straight-line basis over three to five years from the date commercial production of the related product commences.

(f) Foreign currency translation:

Financial statements of self sustaining foreign operations are translated using the current rate method. Adjustments arising from this translation are deferred and recorded under a separate caption of shareholders equity and are included in income only upon a reduction in the investment.

Foreign currency transactions are translated using the temporal method. Translation gains and losses are included in income, except for unrealized gains and losses arising from the translation of long-term monetary liabilities which are deferred and amortized over the remaining life of the related item.

2. Business development:

(a) Acquisitions of other businesses:

During 1998, the Company acquired either 100% or controlling interest in certain businesses for aggregate consideration of \$23,188 in cash and subordinate shares. These acquisitions were accounted for by the purchase method and are summarized as follows:

Working capital	\$ 15,254
Property, plant and equipment	4,095
	19,349
Term debt	(1,366)
Deferred income taxes	(736)
Minority interest	(1,260)
	15,987
Goodwill	7,201
Total purchase price	\$ 23,188
Consideration:	
Share capital	\$ 848
Cash	22,340
	\$ 23,188

In addition, during 1998 the Company acquired minority interest from companies previously under control of \$13,013. The aggregate consideration was \$40,092 consisting of cash and subordinate shares generating goodwill of \$27,079.

During 1997, the Company acquired either 100% or controlling interest in certain businesses for aggregate consideration of \$54,958 in cash and subordinate shares. These acquisition were accounted for by the purchase method and are summarized as follows:

Working capital	\$ 10,733
Property, plant and equipment	28,443
Other assets	11
	39,187
Term debt	(3,703)
Deferred income taxes	(5)
Minority interest	(9,133)
	26,346
Goodwill	28,612
Total purchase price	\$ 54,958

(b) Financing arrangements:

In October 1998, the Company issued US \$165 million of 5 and 10 year senior, unsecured notes bearing interest at rates from 6.84% to 7.10%. The proceeds were used to fund capital acquisitions and repay borrowings under the Company's revolving credit facilities.

(c) Subsequent events:

The Company has entered into an agreement to purchase a polyvinyl chloride resin facility located in Sarnia, Ontario for approximately \$64,000 in cash, subject to adjustments for working capital. The acquisition is expected to close on December 15, 1998.

Notes to Consolidated Financial Statements

September 30, 1998 and 1997

(in thousands of Canadian dollars)

3. Interest in joint ventures:

The Company's proportionate interest in joint ventures includes current assets of \$4,289 (1997 - \$3,593), property, plant and equipment of \$5,376 (1997 - \$5,824), current liabilities of \$3,512 (1997 - \$2,328) and long-term liabilities of \$2,438 (1997 - \$3,322). Operating results of the Company include sales of \$19,958 (1997 - \$17,884) and net earnings of \$1,957 (1997 - \$1,990) from its proportionate interest of joint venture operations.

Cash provided from operations of \$2,988 (1997 - \$2,378) and acquisitions of property, plant and equipment of approximately \$1,176 (1997 - \$1,466) related to its proportionate share of operations of certain joint ventures during the year.

4. Accounts receivable:

	1998	1997
Trade, net of allowance for doubtful accounts of \$9,104 (1997 - \$6,519)	\$ 209,704	\$ 169,356
Taxes and other	14,580	6,731
	\$ 224,284	\$ 176,087

5. Inventories:

	1998	1997
Raw materials	\$ 97,401	\$ 86,385
Finished goods	125,724	105,910
	\$ 223,125	\$ 192,295

6. Property, plant and equipment:

			1998	1997
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 58,724	\$ -	\$ 58,724	\$ 39,313
Buildings	270,045	46,416	223,629	155,143
Plant equipment	518,637	162,710	355,927	276,308
Dies and moulds	81,237	44,348	36,889	23,891
Office and computer equipment	22,569	12,362	10,207	7,540
Aircraft and transport equipment	49,991	13,784	36,207	32,453
	1,001,203	279,620	721,583	534,648
Assets under construction	121,709	-	121,709	54,108
Land held for future use	16,518	-	16,518	16,518
	\$ 1,139,430	\$ 279,620	\$ 859,810	\$ 605,274

Assets under construction are expected to be placed into productive use during the first six months of fiscal 1999 and consist of land and buildings under construction of \$85,980 (1997 - \$34,367) and

plant equipment under construction of \$35,729 (1997 - \$19,741). Capital expenditures during the year include \$8,505 (1997 - \$4,618) of capitalized interest costs.

7. Goodwill and other assets:

	1998	1997
Goodwill, net of accumulated amortization of \$15,018 (1997 - \$10,842)	\$ 161,410	\$ 130,241
Deferred charges:		
Product development and start-up costs, net of accumulated amortization of \$12,209 (1997 - \$6,641)	46,737	45,900
Patents, net	6,565	3,035
Deferred financing costs, net	1,426	1,174
	54,728	50,109
Investments	20,429	3,052
	\$ 236,567	\$ 183,402

8. Accounts payable:

	1998	1997
Trade	\$ 137,816	\$ 116,265
Taxes and other	22,503	33,414
	\$ 160,319	\$ 149,679

9. Term debt:

The Company has a revolving \$400,000 unsecured credit facility with a syndicate of banks. The facility consists of a \$150,000 operating loan for working capital requirements, that bears interest at prime or at 0.225% over bankers' acceptances rates or at 0.225% over Libor, and \$250,000 of term debt for acquisitions and capital expenditures, that bears interest at prime, or 0.350% over bankers' acceptances rates or 0.350% over Libor, expiring in October 2001.

	1998	1997
Revolving unsecured credit facility:		
Operating:		
Bankers' acceptances advances	\$ —	\$ 16,000
Libor advances (US - \$81,000)	—	111,869
Term:		
Libor advances (US - \$18,000)	—	24,860
Senior notes (US \$100,000), unsecured, bearing interest at 7.17% on US \$75,000 and 7.31% on US \$25,000, principal repayments due annually from August 2001 through 2006	153,120	138,110
Senior notes (US \$165,000) unsecured, bearing interest at 6.84% on US \$50,000 and 7.10% on US \$115,000 principal repayments due November 2002 and November 2007 respectively	252,648	—
Term debt requiring periodic principal repayments	8,829	11,864
Deferred foreign exchange loss	(19,320)	(2,020)
Total term debt	395,277	300,683
Term debt due within one year	(487)	(906)
	\$ 394,790	\$ 299,777

9. Term debt, (continued):

Principal repayments for the next five fiscal years are as follows:

1999	\$ 487
2000	487
2001	487
2002	23,455
2003 and thereafter	389,681
	\$414,597

10. Capital stock:

Authorized share capital of the Company consists of the following:

- (a) Unlimited number of preference shares:
Preference shares are issuable in series, with the designation of rights, privileges, restrictions and conditions to be determined by the Board of Directors prior to the issue of the first shares of a series. None of these shares are issued or outstanding.
- (b) Unlimited number of subordinate voting shares and multiple voting common shares:
- Subordinate voting shares:
Each share is entitled to one vote per share at all meetings of shareholders and shall participate equally as to dividends with each multiple voting share.
 - Multiple voting shares:
Each share is entitled to 20 votes per share at all meetings of shareholders and shall participate equally as to dividends with each subordinate voting share. Each share may be converted at any time into a fully-paid subordinate voting share on a one-for-one basis.

In the event that either the subordinate voting shares or the multiple voting shares are subdivided or consolidated, the other class shall be similarly changed to preserve the relative position of each class. Under certain conditions, the sale or transfer of multiple voting shares shall cause such shares to be changed to subordinate voting shares.

Notes to Consolidated Financial Statements

September 30, 1998 and 1997

(in thousands of Canadian dollars)

10. Capital stock (continued):

	Subordinate Voting		Multiple Voting		Total	Stated
	No. of shares	Stated Value	No. of shares	Stated Value	No. of shares	Value
Issued and outstanding at September 30, 1996	62,674,142	\$ 354,339	17,635,444	\$ 18,410	80,309,586	\$ 372,749
Issued on acquisition of Companies	71,780	996	—	—	71,780	996
Issued for cash under stock option plan	1,694,028	19,874	—	—	1,694,028	19,874
Issued and outstanding at September 30, 1997	64,439,950	\$ 375,209	17,635,444	\$ 18,410	82,075,394	\$ 393,619
Issued on acquisition of Companies	717,525	20,940	—	—	717,525	20,940
Issued for cash under stock option plan	2,844,907	24,145	—	—	2,844,907	24,145
Issued and outstanding at September 30, 1998	68,002,382	\$ 420,294	17,635,444	\$ 18,410	85,637,826	\$ 438,704

During 1995 the Company adopted a stock option plan to allow management and key operating personnel to purchase subordinate voting shares, substantially exercisable as to half on or after December 1, 1997, the balance after December 1, 2000. The maximum number of subordinate voting shares reserved to be issued for options cannot exceed 10,750,000.

Stock Options:

	1998	1997
Balance at beginning of year	9,409,056	9,575,273
Granted during the year, at prices ranging from \$31.05 to \$46.60 per share (1997 - \$20.20 to \$35.90 per share)	3,233,434	1,833,056
Exercised during the year	(2,844,907)	(1,694,028)
Cancelled during the year	(123,250)	(305,245)
Balance at end of year	9,674,333	9,409,056

11. Earnings per share:

Basic and fully diluted net earnings per share have been calculated using the weighted average and maximum dilutive number of shares outstanding during the year of 84,214,148 (1997 - 80,837,502) and 93,888,481 (1997 - 90,260,363), respectively. Earnings per share on a fully diluted basis is \$1.43 (1997 - \$1.19)

12. Amortization:

	1998	1997
Property, plant and equipment	\$ 46,550	\$ 38,575
Goodwill	4,176	3,989
Deferred charges	5,568	4,968
	\$ 56,294	\$ 47,532

13. Interest and financing charges:

	1998	1997
Interest expense:		
Operating	\$ 1,821	\$ 3,099
Term and senior notes	13,508	4,417
Bank and financing charges	1,492	1,190
Amortization of deferred financing charges and foreign exchange losses	796	449
	\$ 17,617	\$ 9,155

14. Income taxes:

	1998	1997
Earnings before income taxes and minority interest	\$ 184,093	\$ 154,181
Expected income taxes based on an effective manufacturing and processing income tax rate of approximately 36%	66,273	55,504
Changes in income taxes attributed to:		
Amortization of goodwill	1,420	1,304
Reduction due to income earned in foreign jurisdictions	(3,203)	(2,974)
Different effective income tax rates on earnings of certain subsidiaries and other	(66)	583
	\$ 64,424	\$ 54,417

The current tax provision for the year was \$44,452 (1997 - \$48,838) and the deferred tax provision was \$19,972 (1997 - \$5,579).

15. Segment reporting data:

The Company's operations are substantially all related to the North American building products industry and sell to a broad range of customers, none of which accounted for more than 2.1% of net sales (1997 - 2.9%).

Net sales to non-Canadian customers, including foreign based sales and exports from Canadian operations, represented 70% (1997 - 64%) of total net sales. Net sales and identifiable assets by geographic region are presented below:

	1998	1997
Net sales:		
Canadian operations:		
United States	\$ 274,871	\$ 231,730
Other foreign countries	56,860	18,453
Total exports	331,731	250,183
Canada	317,931	307,320
	649,662	557,503
American operations	314,683	250,558
Other	85,758	40,680
	\$ 1,050,103	\$ 848,741
Identifiable assets:		
Canadian operations	\$ 1,058,746	\$ 879,334
American operations	295,550	185,532
Other	197,356	103,328
	\$ 1,551,652	\$ 1,168,194

16. Items not affecting cash:

	1998	1997
Amortization charges	\$ 56,294	\$ 47,532
Amortization of deferred financing charges and foreign exchange loss	796	449
Deferred income taxes	19,972	5,579
Other	88	(92)
	\$ 77,150	\$ 53,468

17. Changes in non-cash working capital balances:

	1998	1997
Accounts receivable	\$ (37,634)	\$ (7,204)
Inventories	(14,355)	(50,181)
Prepaid expenses and deposits	(1,309)	787
Accounts payable and accrued liabilities	1,439	(5,494)
	\$ (51,859)	\$ (62,092)

The changes in non-cash working capital balances noted above are exclusive of non-cash working capital acquired through acquisitions.

18. Financial instruments and risk management:*(a) Foreign exchange:*

The company has significant investments denominated in U.S. dollars, which gives rise to a risk that its investments may be adversely impacted by fluctuations in foreign exchange as measured against the Canadian dollar. The Company uses U.S. dollar denominated loans to hedge its U.S. dollar denominated investments. Any exchange gain or loss on these loans is offset against the exchange loss or gain arising on translation of the respective financial statements of the foreign operations included in the currency translation adjustments account shown as a separate component of shareholders equity.

Fair value estimates of term debt are determined by references to current market prices for debt with similar terms and risks. As at September 30, 1998, the fair value of the Company's senior notes exceeded the book value of these obligations by \$40,944 (1997 - nil) at year end exchange rates.

(b) Derivative financial instruments:

The Corporation does not hold or issue financial instruments for trading purposes and does not hold any derivative instruments.

(c) Concentration of credit risk:

Concentration of credit risks in accounts receivable are limited due to the large number of customers comprising the Company's customer base throughout the world. The company performs ongoing credit evaluations of its customers and establishes an allowance for doubtful accounts based on credit risk applicable to particular customers, historical trends and other relevant information.

Notes to Consolidated Financial Statements

September 30, 1998 and 1997

(in thousands of Canadian dollars)

18. Financial instruments and risk management (continued):

(d) Fair value of financial instruments:

The carrying amount of cash, bank indebtedness accounts receivable, and accounts payable and accrued liabilities in the consolidated balance sheets approximate fair values due to the short-term maturities of these instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(e) Year 2000 Uncertainty:

The Year 2000 Issue arises from computer programs that use only two digits to record the year. On January 1, 2000 when the year is designated "00", computer systems may create erroneous data as a result of interpreting the date as year 1900. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. Although the Company has a goal of achieving year 2000 readiness by September 1999, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

19. Significant differences between Canadian and United States generally accepted accounting principles:

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada. In certain respects, GAAP in the United States (US) differs from those in Canada. The following is a summary of the effect of significant differences in GAAP on the consolidated financial statements:

(a) Description of GAAP differences:

- (i) Purchase of stock options for cancellation:
Canadian GAAP permits the costs for the purchase of stock options for cancellation to be charged directly to retained earnings. Under US GAAP, such costs are charged to earnings as period costs.
- (ii) Foreign exchange on term debt:
Canadian GAAP requires that unrealized gains and losses on the translation of long-term debt denominated in foreign currencies at current exchange rates be deferred and amortized over the term of the debt. Under US GAAP, such gains and losses are charged to earnings as period costs.
- (iii) Product development costs:
Canadian GAAP permits the capitalization of product development costs if certain criteria are met. Under US GAAP, product development costs are expensed as incurred. The product development costs capitalized under Canadian GAAP are amortized on a straight-line basis over three to five years from the date commercial production of the related product commences.

19. Significant differences between Canadian and United States generally accepted accounting principles:

(iv) Earnings per share:

The weighted average number of common shares and common share equivalents used to calculate earnings per share under the provisions of FASB statement No. 128 are as follows:

	1998	1997
Basic	84,214	80,838
Diluted	88,015	85,956

(v) Accounting for employee stock options:

Beginning in fiscal 1998, US GAAP encourages but does not require companies to record compensation cost for stock options at fair value. The Company accounts for its employee stock options for US GAAP purposes using the intrinsic value method, which, except as disclosed in note 19(a) (i), does not result in additional compensation expense in the Company's circumstances.

(b) Net earnings in accordance with US GAAP:

	1998	1997
Net earnings based on Canadian GAAP	\$ 120,024	\$ 97,499
Impact on net earnings of US GAAP adjustments:		
Purchase of stock options for cancellation (i)	—	(5,375)
Foreign exchange on term debt (ii)	(17,300)	(2,020)
Product development costs (iii)	1,173	1,527
Other deferred charges	(535)	223
Tax effect of adjustments	5,998	2,032
Net earnings based on US GAAP	\$ 109,360	\$ 93,886
Basic earnings per share	\$ 1.30	\$ 1.16
Diluted earnings per share	\$ 1.24	\$ 1.08

(c) Shareholders' equity in accordance with US GAAP:

	1998	1997
Shareholders' equity as reported	\$ 815,074	\$ 648,141
Foreign exchange on term debt (ii)	(19,320)	(2,020)
Product development costs (iii)	(7,850)	(9,023)
Other deferred charges	(1,474)	(939)
Tax effect of adjustments	10,312	4,313
Shareholders' equity in accordance with US GAAP	\$ 796,742	\$ 640,472

19. Significant differences between Canadian and United States generally accepted accounting principles (continued):

(d) Effect on consolidated balance sheet:

The application of US GAAP would result in the following presentation on the consolidated balance sheets:

	1998	1997
Goodwill and other assets	\$ 227,243	\$ 173,439
Term debt	414,597	301,797
Deferred income taxes	46,679	31,859

(e) Other disclosures:

(i) Income taxes:

US GAAP requires that deferred income taxes be accounted for under the liability method whereas Canadian GAAP requires the use of the deferral method. The difference between these two methods does not have a material effect on the amount of deferred income taxes in the consolidated financial statements, except as disclosed above.

The deferred tax balance under US GAAP consists of deferred tax assets and deferred tax liabilities. The following are the major components of the deferred income taxes under US GAAP in the balance sheet as at September 30:

	1998	1997
Deferred tax assets:		
Share issue costs	\$ 2,466	\$ 2,917
Deferred tax liabilities:		
Property, plant and equipment	(43,896)	(31,478)
Deferred charges	(5,249)	(3,298)
	(49,145)	(34,776)
Net deferred tax liabilities	\$ (46,679)	\$ (31,859)

The tax provision under US GAAP for each of the years ended September 30 consists of the following:

	1998	1997
Current provision:		
Canadian	\$ 40,829	\$ 41,587
Foreign	4,040	7,245
	44,869	48,832
Deferred tax provision:		
Canadian	11,040	4,803
Foreign	2,516	685
	13,556	5,488
Total tax provision under US GAAP	\$ 58,425	\$ 54,320

(iii) Consolidated statement of changes:

Under Canadian GAAP the issuance of shares in conjunction with acquisitions has been reflected on the statement of changes in financial position as both a financing and investing activity. Under US GAAP, this non-cash transaction would be excluded and cash used for investing activities and provided from financing activities would be reduced by \$20,940 (1997 - \$996).

(iii) Cash interest and income taxes paid:

Cash interest and income taxes paid during the year were \$19,334 and \$42,513 respectively.

(iv) New US Accounting Standards:

(a) In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130) which establishes standards for reporting and display of comprehensive income and its various components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements. SFAS 130 is effective for fiscal years beginning after December 15, 1997.

(b) In June 1997, the Financial Accounting Standards Board also issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131) which establishes new standards for the way information is reported about operating segments in annual financial statements and requires selected information about operating segments to be reported in interim financial statements. It also establishes standards for related disclosures about products and services, geographic areas and major customers. SFAS 131 is effective for financial statements for periods beginning after December 15, 1997. The Company has not determined the impact of SFAS 131 on its segment disclosures in its financial statements. The Canadian Accounting Standards Board has approved an accounting standard on segment disclosure effective for fiscal years beginning on or after January 1, 1998 which ensures there will be no significant differences between Canadian and United States generally accepted accounting principles in this area once fully implemented.

(c) In April 1998, the American Institute of Certified Public Accountants issued statement of position 98-5 (SOP 98-5) "Reporting on the Costs of Start-Up Activities", which requires costs of start-up activities to be expensed as incurred. SOP 98-5 is effective for fiscal years beginning after December 15, 1998 and requires initial application to be reported as the cumulative effect of a change in accounting principle.

(d) In June 1998, the FASB issued SFAS No. 133 "Derivative Instruments and Hedging Activities" effective for fiscal quarters beginning after June 15, 1999. SFAS No. 133 requires that the Company report all derivative instruments on the balance sheet at fair value. Management has not determined the impact of adoption of SFAS No. 133 on its U.S. GAAP disclosures.

Royal Group Technologies Limited

U.S. Dollar Reporting

Approximately 56% of the Company's revenues, and 84% of the Company's debt are denominated in United States dollars. To provide investors with information regarding our financial position, results of operations and changes in cash flows for the year in U.S. dollars, we have translated our consolidated balance sheet earnings and changes in cash position statements ("financial statements") into U.S. dollars.

These unaudited financial statements, reported in U.S. dollars, are based on the Company's audited financial statements prepared under Canadian generally accepted accounting principles. As the amounts shown in U.S. dollars are for convenience only, the

exchange rate of U.S. \$0.6896, the average rate for fiscal 1998, has been used for the purpose of presentation of the U.S. Dollar amounts in the accompanying financial statements. U.S. dollar amounts shown are not a representation that Canadian dollar balances have, or could have, been converted into U.S. dollars at the translation rate used.

These unaudited financial statements, reported in U.S. dollars, are provided solely for our shareholders' convenience. They are not a substitute for, and do not include the full disclosures contained in, our audited financial statements on pages 19 to 29 of this Annual Report.

Consolidated Balance Sheets

Years ended September 30, 1998 and 1997
(In thousands of United States dollars)

	1998	1997
Assets		
Cash	\$ 0	\$ 3,835
Accounts receivable	154,657	121,423
Inventories	153,858	132,599
Prepaid expenses and deposits	5,424	3,844
	313,939	261,700
Property, plant and equipment	592,891	417,373
Goodwill and other assets	163,127	126,467
	\$ 1,069,957	\$ 805,540
Liabilities and Shareholders' Equity		
Bank indebtedness	65,456	0
Accounts payable and accrued liabilities	110,550	103,213
Term debt due within one year	336	625
	176,341	103,837
Term debt	272,231	206,714
Deferred income taxes	39,299	24,943
Minority interest	20,043	23,113
Shareholders' Equity		
Capital stock	302,513	271,424
Retained earnings	260,602	177,838
Currency translation adjustments	(1,072)	(2,330)
	562,042	446,932
	\$ 1,069,957	\$ 805,540
Working capital	137,598	157,863
Funded debt(1)	338,023	203,504
Invested capital(2)	920,109	673,550

Consolidated Statements of Earnings and Retained Earnings

Years ended September 30, 1998 and 1997
(In thousands of United States dollars)

	1998	1997
Net sales	\$ 724,109	\$ 585,258
Cost of sales and operating expenses	(544,200)	(439,852)
Operating margin	179,909	145,406
Operating percentage	24.8%	24.8%
Amortization	(38,818)	(32,776)
Interest and financing charges	(12,148)	(6,313)
Land Write down	(2,000)	-
Earnings from operations	126,943	106,317
Income taxes	(44,424)	(37,524)
Earnings before minority interest	82,519	68,793
Minority interest	245	(1,562)
Net earnings	\$ 82,764	\$ 67,231
	1998	1997
Retained earnings, at beginning of year	\$ 177,838	\$ 112,979
Purchase of stock options for cancellation, net of tax	-	(2,372)
Net earnings	82,764	67,231
Retained earnings, end of year	\$ 260,602	\$ 177,838

Consolidated Statements of Changes in Financial Position

Years ended September 30, 1998 and 1997
(In thousands of United States dollars)

	1998	1997
Cash provided from (used in):		
Operating activities:		
Earnings before minority interest	\$ 82,519	\$ 68,793
Add back items not affecting cash	53,200	36,869
Changes in non-cash working capital balances	(35,760)	(42,816)
Currency translation adjustments	9,164	581
	109,123	63,428
Investing activities:		
Capital Expenditures	(208,170)	(148,688)
Acquisition of non-cash assets	(43,635)	(37,897)
Increase in other assets	(6,472)	(7,588)
Change in investments	(11,028)	554
	(269,305)	(193,619)
Financing activities:		
Term debt proceeds	165,819	107,037
Term debt repayments	(106,016)	(6,857)
Change in minority interests	-	10,822
Issuance of shares on acquisitions	14,439	687
Issuance of shares under stock option plan	16,649	13,704
Purchase of stock options for cancellation	-	(3,706)
	90,892	121,687
Increase (decrease) in cash	(69,290)	(8,504)
Cash, beginning of period	3,835	12,339
Cash, (bank indebtedness), end of period	(65,456)	3,835

(1) For the purposes of the calculation funded debt is reduced by cash
(2) Invested capital represents shareholders' equity, minority interest and funded debt

Supplementary Financial Information

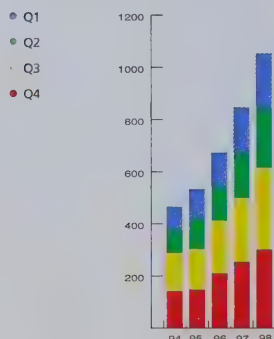
Quarterly Data ^(a)

(in thousands of Canadian dollars, except per share)

	Q1	Q2	Q3	Q4	Total
Corporate Operating Results – Fiscal 1998					
Net sales	211,436	229,344	304,098	305,225	1,050,103
Operating margin	48,822	50,034	80,656	81,392	260,904
Earnings from operations	31,951	32,717	61,049 ⁴	61,276	186,993 ⁽⁴⁾
Net earnings	19,385	20,011	40,708 ⁴	42,820	122,924 ⁽⁴⁾
Basic earnings per share	\$0.24	\$0.24	\$0.48 ⁴	\$0.50	\$1.46 ⁽⁴⁾
Corporate Operating Results – Fiscal 1997					
Net sales	174,492	175,539	240,098	258,612	848,741
Operating margin	39,308	38,852	63,770	68,938	210,868
Earnings from operations	25,205	25,111	48,979	54,886	154,181
Net earnings	15,434	15,932	31,947	34,186	97,499
Basic earnings per share	\$0.19	\$0.20	\$0.40	\$0.42	\$1.21
Corporate Operating Results – Fiscal 1996					
Net sales	130,401	133,442	196,215	215,034	675,092
Operating margin	27,640	28,232	52,293	58,911	167,076
Earnings from operations	17,339	17,572	39,771	45,917	120,599
Net earnings	10,940	11,155	25,419	28,191	75,705
Basic earnings per share	\$0.15	\$0.15	\$0.32	\$0.36	\$0.98
Corporate Operating Results – Fiscal 1995					
Net sales	113,621	119,343	149,515	152,574	535,053
Operating margin	21,751	22,871	36,910	38,473	120,005
Earnings from operations	11,734	13,740	27,757	28,784	82,015
Net earnings	6,807	8,366	17,686	19,161	52,020
Basic earnings per share	\$0.12	\$0.12	\$0.24	\$0.26	\$0.74

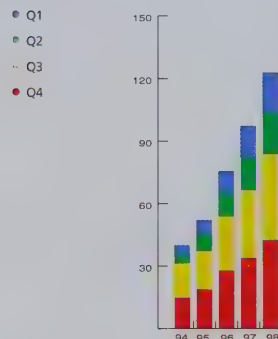
Quarterly Net Sales

(in millions of dollars)



Quarterly Net Earnings

(in millions of dollars)



Ten-Year Summary of Statements of Earnings ⁽³⁾

For the years ended September 30
(In thousands of Canadian dollars)

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Net Sales	1,050,103	848,741	675,092	535,053	466,810	368,388	316,564	266,317	261,645	205,105
Cost of sales and operating expenses	(789,199)	(637,873)	(508,016)	(415,048)	(353,968)	(279,730)	(240,038)	(212,128)	(203,869)	(157,806)
Operating margin	260,904	210,868	167,076	120,005	112,842	88,658	76,526	54,189	57,776	47,299
Operating margin percentage	24.8%	24.8%	24.7%	22.4%	24.2%	24.1%	24.2%	20.3%	22.1%	23.1%
Amortization	(56,294)	(47,532)	(38,286)	(28,095)	(23,902)	(20,552)	(18,536)	(17,841)	(13,521)	(9,959)
Interest and financing charges	(17,617)	(9,155)	(8,191)	(9,895)	(17,597)	(20,387)	(19,771)	(25,002)	(21,335)	(13,690)
Earnings from operations	186,993	154,181	120,599	82,015	71,343	47,719	38,219	11,346	22,900	23,650
Management shareholder bonuses	0	0	0	0	(8,079)	(5,446)	(1,979)	(1,578)	(2,454)	(16,014)
Unusual items	(2,900)	0	0	0	5,815	0	0	0	0	0
Earnings before income taxes and minority interest	184,093	154,181	120,599	82,015	69,079	42,273	36,240	9,768	20,446	7,636
Income taxes	(64,424)	(54,417)	(43,500)	(29,131)	(21,328)	(15,220)	(12,147)	(1,377)	(10,317)	(3,157)
Earnings before minority interest	119,669	99,764	77,099	52,884	47,751	27,053	24,093	8,391	10,129	4,479
Minority interest	355	(2,265)	(1,394)	(864)	(2,168)	(734)	(722)	(195)	(332)	(621)
Net earnings	120,024	97,499	75,705	52,020	45,583	26,319	23,371	8,196	9,797	3,858

(1) Quarterly information is unaudited.

(2) 1994 pre IPO net earnings and operating margin adjusted on a pro-forma basis.

(3) 1994-89 pre IPO net earnings and operating margin are unadjusted on a pro-forma basis.

(4) Prior to \$2,900 (or \$0.03 per share) write down of non-core land in fiscal 1998.

Supplementary Information

Outstanding Share Information

(as at September 30, 1998 and 1997)

	1998	1997
Multiple Voting Shares	17,635,444	17,635,444
Subordinate Voting Shares	68,002,382	64,439,950
Total shares outstanding	85,637,826	82,075,394

Total options outstanding as at September 30, 1998 are 9,674,333.

Dividend Policy: Royal's policy is to retain its earnings to finance growth and development of its business and Royal does not expect to pay dividends in the foreseeable future. The Board of Directors will review this policy from time to time in the context of Royal's earnings, financial position and other relevant factors.

Trading Data (Stock symbol: RYG)

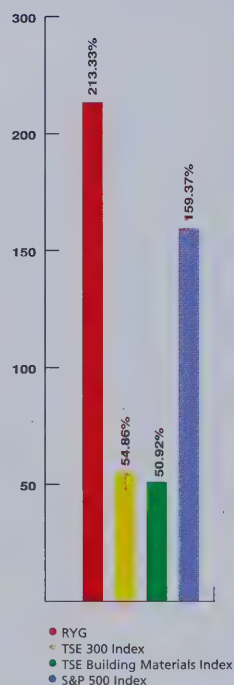
	High (TSE)	Low (TSE)	Close (TSE)	Volume (000's)
Fiscal 1995				
First Quarter	\$ 11 1/4	\$ 10 3/4	\$ 11	1,785 *
Second Quarter	14 7/8	10 3/4	14 5/8	4,918 *
Third Quarter	19 1/2	14 1/8	18 7/8	9,121 *
Fourth Quarter	18 7/8	16 1/8	17 5/8	5,940 *
Total				21,764
Fiscal 1996				
First Quarter	19 7/8	17 1/8	19 3/4	2,478 *
Second Quarter	22 7/8	19 5/8	21 5/8	4,850 *
Third Quarter	22.15	19.40	20.75	6,820**
Fourth Quarter	23.85	19.05	23.25	4,520**
Total				18,668
Fiscal 1997				
First Quarter	26.40	22.50	25.35	5,526**
Second Quarter	30.50	24.90	29.50	5,630**
Third Quarter	38.75	27.00	37.00	8,391**
Fourth Quarter	43.50	33.85	39.35	7,738**
Total				27,285
Fiscal 1998				
First Quarter	41.25	30.00	33.30	11,367**
Second Quarter	47.25	31.00	46.15	9,187**
Third Quarter	48.00	36.00	42.40	7,434**
Fourth Quarter	42.95	25.50	25.85	11,033**
Total				39,021
Fiscal 1998				
First Quarter to December 4, 1998	36.00	23.00	35.25	5,401**

* TSE & ME

** TSE, ME & NYSE

Royal Share Performance vs. Market Indices

Percentage change from
November 30th 1994 to
December 4th 1998



Royal at a Glance

PRODUCT GROUPS AND SEGMENTS	% OF TOTAL FISCAL 1998 SALES	PRODUCT NAMES & TRADE NAMES
Building Products Group	91%	
Custom Profile	35%	
• Window Profiles		
• Fencing & Decking		Royal Deck™, Sierra Deck, Royal Sierra Fence, Triple Crown™ Fence, Triple Crown® Fence, Brock Deck™ Systems, Brock Deck®, Clip-Strip™
• Other Profiles		
Window Coverings	20%	LaserGuard™, LaserTouch™, Syncromatic™, Cord-a-Way, LaserLite™, LaserWand, LaserWood™
Siding	15%	Cedar Series™, Cedar Blend™, Royal Woodland 16™, Royal Woodland™, Journeymen™, Journeymen Premium™, Residential™, Guardian™, Royal Soffit™, Econo Soffit™, Royal Traditional Series™, Royal Designer Accessories™, Vinyl Pro™, Showplace Shake™, Showplace Brick™, Showplace Stone™, Agri Panel™, Designer Beaded Panel™, Royal Colonial™, Suprema™, Heritage Classic™, Grandform™, Suprema 40™, Architectural Series™, Royal Crest™, Windlok System™, Duratechnology System™, Duratech™
Pipe & Other	21%	
• Pipe & Fittings		Royal Superdrain™, Royal Kor Drain™, Royal Seal™, Royal Kor Flo™, Royal DSLI™, Royal Doublewall™, Royal Flex™, Streethawk™, Powerplay Sports™
• Doors		Baron Metals, Performer Series 1000, Pillar Series 2000, Serenity Series 3000 RS Program, RP Program, RG Program, RW Program, RC Program, Marquis I RW, Marquis I, Marquis II
• Patio Furniture/ Indoor Storage Products		Gracious Living
• Other		Royal Slate Roof Tiles
Building Technologies Group	9%	
• Storage Solutions		The Royal Building System™, Royal Winchester, Royal Winchester II, Extension Kit for Winchester models, Royal Balmoral, Royal Balmoral II, Clearbrook, Royal Hampton, Royal Woodstock, Royal Manchester, Royal Stonehaven, , Royal Winfield, Royal Esquire, Yard Mate™
• Residential		The Royal Building System™, Royal Titan Garage™
• Commercial		The Royal Building System™, Roycet™
• Industrial		The Royal Building System™, Roycet™
• Institutional		The Royal Building System™, Roycet™
• Agricultural		The Royal Building System™, Roycet™

Corporate Information

Board of Directors

Vic De Zen

Royal Group Technologies Limited
Chairman, President and
Chief Executive Officer

Sergio De Zen

Royal Group Technologies Limited
Senior Executive Vice President
and Chief Operating Officer

Gary Brown*

Royal Group Technologies Limited
Executive Vice President
and Chief Financial Officer

Douglas Dunsmuir

Royal Group Technologies Limited
Executive Vice President
and General Counsel

Gwain Cornish

Royal Group Technologies Limited
Senior Vice President

Mario Cadorette

Plastibec Ltd.
President

Gregory Sorbara*

The Sorbara Group, Partner

Ronald Slaght*

Lenczner Slaght Royce Smith Griffen Barristers,
Partner

Ralph Brehn

Retired former President
of Hunter Douglas Canada Ltd.

Irvine Hollis

Former President of Duracell Inc.
Presently Management Consultant,
I Hollis Management
Consultants Inc.
Management Consultant

* Member of Audit Committee

Executive Officers

Vic De Zen

Chairman, President and
Chief Executive Officer

Sergio De Zen

Senior Executive Vice President
and Chief Operating Officer

Gary Brown

Executive Vice President and
Chief Financial Officer

Douglas Dunsmuir

Executive Vice President
and General Counsel

Gwain Cornish

Senior Vice President

Transfer Agent and Registrar

Information regarding your shareholdings may
be obtained by writing or calling the transfer
agents:

CIBC Mellon Trust Company
320 Bay St., 6th Floor,
Toronto, Ontario M5B 4A6
Tel: (416) 643-5572
Facsimile: (416) 643-5570

ChaseMellon
Shareholder Services
Stock Transfer Administration
450 West 33rd Street, 15th Floor
New York, New York 10001
Tel: 1-800-387-0825

Shareholder Inquiries

Responses to shareholder inquiries as well as
information published by the company for its
shareholders and others, including annual
reports, quarterly reports and annual informa-
tion forms may be obtained from:

Investor Relations
Royal Group Technologies Limited
1 Royal Gate Blvd.,
Woodbridge, Ontario L4L 8Z7
Telephone: (905) 264-0701
Facsimile: (905) 264-0702
E-mail: info@royplas.com
Web site: www.royplas.com

Annual Meeting

The annual meeting of shareholders of Royal
Group Technologies Limited will be held
February 18, 1999. The meeting notice and
proxy materials were mailed to shareholders
with this report.

Stock Exchange Listings

Subordinate Voting Shares are
listed on The Toronto Stock Exchange, the New
York Stock Exchange and the Montreal
Exchange.
Symbol: RYG
Royal was added to the TSE 300 Index in June
of 1995 and added to the TSE100 Index in
March 1998.

Financial Information

Security analysts and representatives of finan-
cial institutions are invited to contact:

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and Chief Financial Officer
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Mark Badger

Vice President,
Corporate Communications
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Auditors

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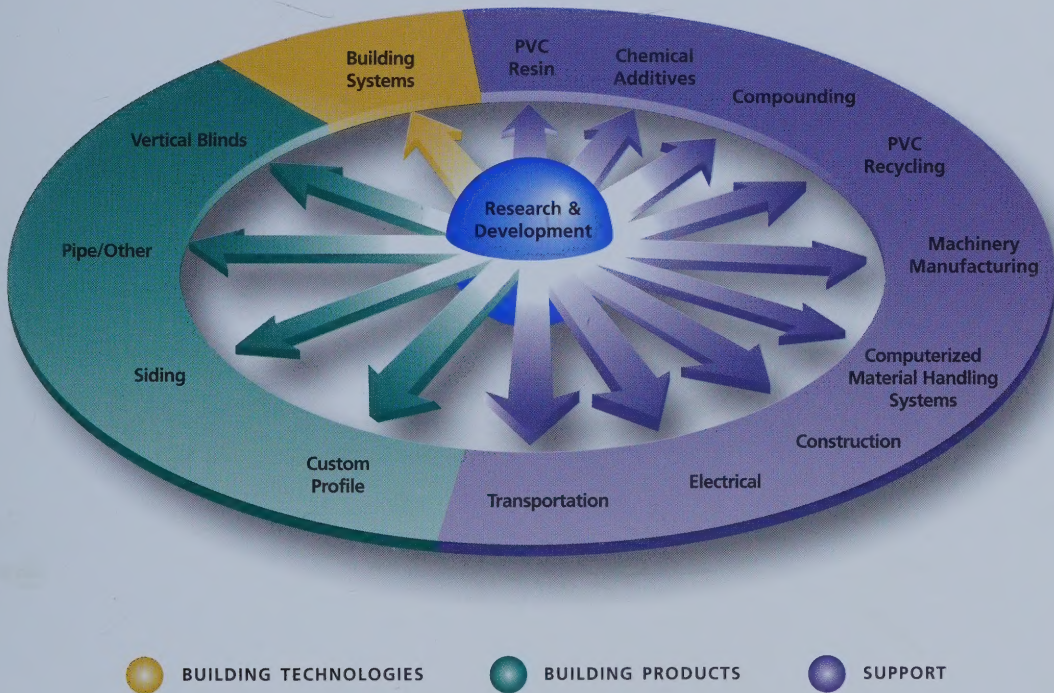
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Ce rapport est également publié
en français.

Royal Group Technologies Wheel of Integration



Royal is a manufacturer and marketer of technologically advanced building products and building systems.

The information in this document contains forward-looking statements with respect to Royal Group Technologies Limited, its subsidiaries and affiliates. By their nature, these forward-looking statements involve known and unknown risks, uncertainties and other factors affecting Royal specifically or its industry generally that could cause actual performance and financial results to differ materially from those contemplated by the forward-looking statements. These risks and uncertainties include fluctuations in the level of construction activity, changes in availability or prices for raw materials, pricing pressures resulting from competition, difficulty in developing and introducing new products, failure to penetrate new markets effectively (particularly markets in developing countries), difficulty in preserving proprietary technology, changes in environmental regulations and other risks described from time to time in publicly filed disclosure documents and securities commission reports of Royal Group Technologies Limited and its subsidiaries and affiliates.





Royal Group
TECHNOLOGIES